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USDOC FOR 532/OEA/ MCANNER
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR PATRICK SANTILLO
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

SIPDIS

E.O. 12958: N/A

TAGS: BMGT BEXP HK ETRD ETTC

SUBJECT: EXTRANCHECK: POST SHIPMENT VERIFICATION: WAH WAI ELECTRONIC TECHNOLOGY

REF: A) BIS e-mail request dated October 22, 2009 (01210084)

1. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

¶2. As per reftel A request and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO) conducted a post shipment verification (PSV) at Wah Wai Electronic Technology, Room 1001, 10/F Wang Yip Industrial Building, No 1 Elm Street, Tai Kok Tsui, Hong Kong (Wah Wai). The items in question for this PSV are monolithic integrated circuits exported to Wah Wai on or about September 20, 2006. These items are likely classified under Export Control Classification Number (ECCN) 3A001 and are controlled for national security (NS) reasons. These circuits are likely eligible for license exception Civil End Use (CIV) for export/reexport to mainland China. The exporter is America II Electronics of St. Petersburg, Florida.

¶3. According to the Hong Kong Companies Registry, Wah Wai has been in existence since March 1986. Its paid up share capital is the Hong Kong equivalent of USD 65,000. The Hong Kong Companies Registry lists Hong Kong residents Cheung, Hei Kwan (HKID P243933(A), Lee, Wah Wong (HKID H389299(O) and Li, Man Har (HKID K245459(9) as directors.

¶4. Wah Wai does not appear to have a web site of its own although it appears to advertise on B to B web sites including www.diytrade.com. On that web site, the company's business is described as trade in high level electronic components at the military, industrial and commercial level.

¶5. On November 10, 2009, ECO and FCS Commercial Assistant Carrie Chan visited the company and met with Mr. Lee, Wah Wong, director. The company is located in a warehouse building and has space for several desks, a reception area and a small director's office. According to Mr. Lee, Wah Wai is a family business and the company owns the premises.

¶6. Mr. Lee stated that Wah Wai is a small trading company. He offered that the company has seen a nearly 90% drop in its business this year. Mr. Lee noted that it has become standard practice to sell to mainland customers in Hong Kong on a cash basis to avoid the risks associated with nonpayment by mainland customers. Mr. Lee agreed that this practice may also be useful for minimizing customs formalities and duties at the Hong Kong/Shenzhen border. Mr. Lee noted that most such transactions are actually completed by use of freight forwarders so as to insulate the buyer from any customs related issues (in this scenario, the freight forwarder sometimes also pays for the items in Hong Kong). ECO suspects that this structure also serves other purposes including export control avoidance.

¶7. Mr. Lee stated that he does not sell military temperature range

products. He expressed an understanding of U.S. export control rules and stated his commitment to comply with them. By separate e-mail, ECO sent Mr. Lee additional information about U.S. export controls.

¶18. As to the particular shipment in question, Mr. Lee stated that the company no longer had any of the applicable documentation. Mr. Lee stated that there are many changes in trading companies so he does not keep too many records. Mr. Lee stated that the representative of the buyer, a Mr. Ching, had provided him with a phone number that is apparently no longer operational. Mr. Lee stated that he did not know the final end-user or end-use for the items.

¶19. ECO notes that Mr. Lee was quite talkative when talking about the electronics business and expressed his commitment to comply with U.S. export controls. At the same time, Mr. Lee did not provide ECO with any significant information about the underlying shipment. Based on a totality of the circumstances, ECO cannot recommend that Wah Wai be considered a suitable recipient of U.S. origin controlled technology.